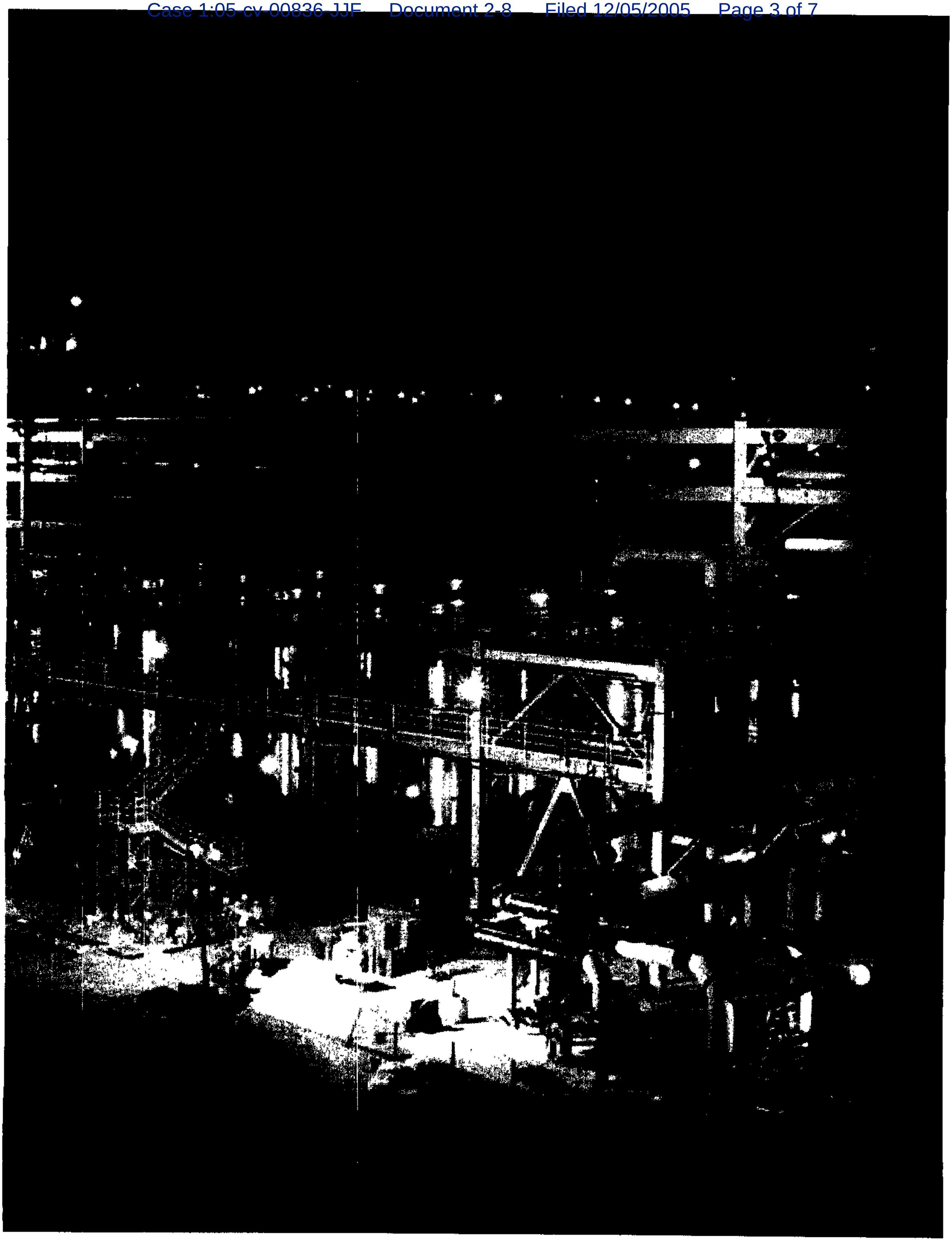
EXHIBIT 11 – PART 2 OF 8

We successfully addressed four major challenges during the year:

- We successfully negotiated a five-year labor agreement with the United Steelworkers of America (USWA) for five of our largest U.S. plants. The new agreement has enabled sweeping labor productivity improvements. A 19% reduction in the number of hourly jobs combined with significant increased flexibility in the use of outside contractors will enable labor costs at these plants in 2005 to roughly equal actual costs experienced in 1998. I commend the management of the five plants for their efforts in working with temporary employees to set a number of new operating performance records during this USWA-initiated dispute.
- We partially restarted the Gramercy, Louisiana, alumina refinery in December 2000 after completing the initial phase of construction faster than expected by anyone in the industry. Clearly, there is additional work to be done here in 2001 but the restart itself was a significant milestone.
- Recognizing the opportunity provided by skyrocketing energy prices in western North America, the company aggressively curtailed smelting capacity in the Pacific Northwest, executed power sales amounting to $208 million, and received those proceeds in 2000 and early 2001. During the first quarter of 2001, we sold the majority of our remaining Northwest power for an additional $260 million.
- As part of our corporate drive to dramatically improve our return on invested capital, we generated more than $67 million from the sale of non-core assets such as the research and development/administrative complex in Pleasanton, California. In addition, we slashed the company's working capital almost in half, primarily in conjunction with a $90 million reduction of inventory in our Flat-Rolled Products business. This inventory reduction was related to major efficiency efforts and a product-line exit.

After being offline for more than a year, the Gramercy, Louisiana, alumina refinery returned to partial operation in December of 2000 with a design that incorporates a 16% increase in rated capacity and improved safety and efficiency processes.



The 2000 acquisition of a drawn seamless tube facility in Chandler, Arizona, expanded Kaiser's high value-added product line and geographic coverage in the Engineered Products business.

Driving Performance to New Levels

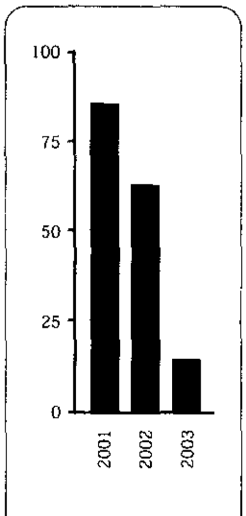
We worked relentlessly in 2000 to achieve full potential in our operating units.

- Our fabricating businesses reached new levels of on-time delivery performance to customers while cutting manufacturing flow times by as much as 30%. Customer feedback would suggest that this delivery performance has set a new industry standard
- Corporate-wide health and safety performance reached best-ever levels - driven by continued application of basic safety, health and loss prevention processes, employee involvement, and emphasis on employee education and training.
- As mentioned, the Gramercy refinery commenced operations in late 2000. The design enhancements include state-of-the-art operational integrity systems and - compared to previous operating levels - a 16% increase in rated capacity, a significant improvement in product quality, reductions of more than 50% in certain air emissions, and the ability to reduce operating costs by as much as 20%
- Kaiser realized the benefit of a new production record of more than 3 7 million metric tonnes at the 28.3%-owned QAL alumina refinery in Australia. The facility is one of the largest and lowest cost alumina producers in the world and continues to improve because of ongoing process improvement and efficiency initiatives.

Making Growth Investments in Our Future

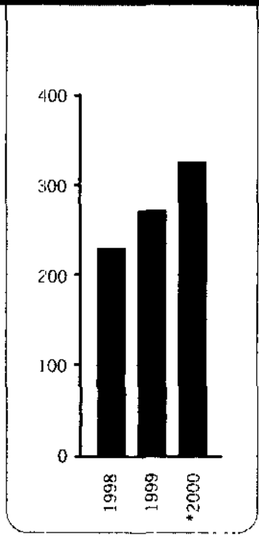
Investing our hard-earned cash is one of the most important things we do. We're proud of the following investments and look forward to their future contributions.

- In 2000, the company funded $140 million for its share of the Gramercy refinery enhancement and rebuild Work continues on the project during the first half of 2001. In addition to the previously cited benefits of this project, a portion of Gramercy's increased capacity is devoted to the high value-added chemical business, where we see continued growth opportunities.
- We strengthened the competitive position and broadened the product offering of our Engineered Products business by acquiring an aluminum drawn tube facility in Chandler, Arizona, for $16 million The facility produces high value-added drawn seamless aluminum tubing in various alloys for application in aerospace, sporting goods, medical equipment, and other industries In addition, Chandler is a perfect fit with our other tube capabilities, its tube stock is supplied by our Richland, Washington, plant and its product line extends and complements that of our Bellwood, Virginia, plant



We Have a Solid Hedge Position for 2001 and 2002

(percent of net hedgeable volume covered as of February 28 2001)



Employees at the Mead Smelter Achieved Record Productivity

(pounds of aluminum produced per hour worked)

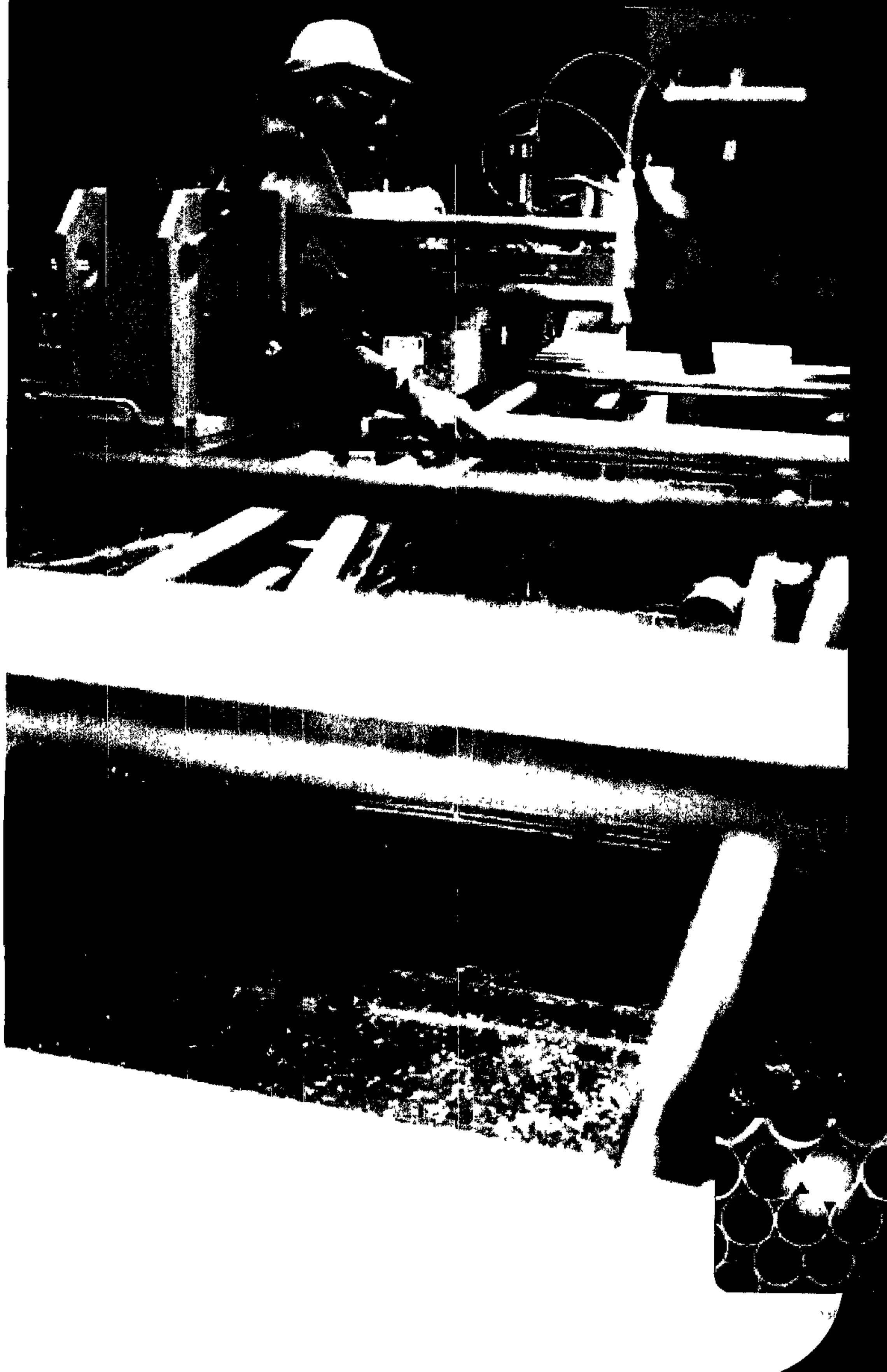
* For the five months of 2000 preceding partial curtailment in June

- We initiated a $14 million project to expand capacity and reduce manufacturing costs at our extrusion plants in Tulsa, Oklahoma, and Richland, Washington. The Tulsa project will double the facility's annual production capacity to about 40 million pounds when completed in mid-2002 and reposition the facility as a low-cost producer of distribution-standard extrusions The Richland plant is relocating to a new site nearby and upgrading its extrusion press equipment The Richland project is scheduled for completion in the second half of 2001.
- We completed the final phase of capital investment in a previously announced project at our Trentwood, Washington, rolling mill that boosted heat-treat manufacturing capacity. In 2000, this value-added product line accounted for almost 36% of Flat-Rolled Products shipments and most of the unit's operating income.
- We invested to strengthen our hedge position for 2001 and 2002 and thus to help ensure cash generation to support our capital requirements. As of February 2001, the company's metal hedge position amounted to approximately 82% for 2001 and 63% for 2002.
- We invested as a founding partner in Metal Spectrum to participate in the emerging e-commerce market for fabricated products.

Evaluating Longer-Term Opportunities

The company continues to evaluate longer-term growth opportunities. Despite the company's current capital constraints, we believe we have the ability to apply focus and discipline to the pursuit of earnings growth

- We have identified capital-productive growth opportunities at our alumina refineries that could increase system-wide annual capacity by 37% Specifically, we see attractive expansion potential at all three refineries (in millions of annual metric tonnes). Gramercy from 1 25 to 1.5, 28.3%-owned QAL from 3.65 to 5.2; and 65%-owned Alpart from 1.45 to 2 0 Each of these projects could potentially be done in affordable increments. Although we have not yet committed capital to such expansion projects - and two of the three require approval of our joint venture partners - the potential for value creation is enormous.
- Following up on the Chandler acquisition in 2000, we continue to evaluate other acquisitions in the Engineered Products business Given our manufacturing and technical expertise and our acknowledged position as a leader in customer service, growth in this business is a natural next step for us.



The 1997 acquisition of the Bellwood soft alloy extrusion plant in Virginia increased Kaiser's extrusion capacity by 30%.